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LETTER DATED 15 JANUARY 1998 FROM THE SECRETARY-GENERAL ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit to you herewith a letter dated 13 January 1998 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I should be grateful if you would bring this letter to the attention of the members of the Security Council.

(Signed) Kofi A. ANNAN

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Annex

[Original: English]

Letter dated 13 January 1998 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I have the honour to transmit to you the eighth report on the activities of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina. The final document of the Peace Implementation Conference, held at Bonn on 9 and 10 December, has been issued in document A/52/728-S/1997/979. I would appreciate your making this report available to the Security Council.

(Signed) Carlos WESTENDORP

Appendix

Report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General

I. INTRODUCTION

1. By its resolution 1031 (1995) of 15 December 1995, the Security Council endorsed the appointment of a High Representative and reaffirmed the importance of his role in monitoring the implementation of the Peace Agreement on Bosnia and Herzegovina and giving guidance to and coordinating the activities of the civilian organizations and agencies involved in assisting the parties to implement the Peace Agreement.

2. By the same resolution, the Security Council requested the Secretary-General to submit reports from the High Representative in accordance with Annex 10 of the Peace Agreement and the conclusions of the London Peace Implementation Conference of 8 and 9 December 1995. Accordingly, I present herewith the eighth report to the Council.

3. The report covers the activities of the Office of the High Representative and developments in the areas listed below during the period from the beginning of October 1997 to the end of December 1997.

II. INSTITUTIONAL ASPECTS

Office of the High Representative

4. My headquarters in Sarajevo and the secretariat in Brussels have in the period under review continued to maintain operational coordination of civilian implementation activities inside Bosnia and Herzegovina, as well as contacts with the respective implementation organizations and agencies, closely following, as far as possible, the various international forums dealing with the Bosnian peace implementation. Special attention was given to the high-level meetings leading up to the Peace Implementation Conference held at Bonn on 9 and 10 December 1997 and outlining the parameters of involvement of the international community in Bosnia and Herzegovina for the rest of the consolidation period.

5. During the period described, considerable progress has been made in implementing peace and stability in Bosnia and Herzegovina and in enhancing the climate of reconciliation, tolerance and democracy. The achievements also include the establishment and functioning of the common institutions, the holding of free elections and the commencement of economic reconstruction, which are prerequisites for the three constituent peoples to live peacefully together. The overall picture in Bosnia and Herzegovina is changing for the better, and life is returning to normal. Yet, notwithstanding these accomplishments, huge and complex tasks are still ahead of us. Therefore, it would be premature to say that the peace process is yet irreversible or lasting. However, it is clear

that there is no alternative to the Peace Agreement that will continue to provide the important mechanism for moving the peace process forward. The main responsibility in this process, and in particular in turning the Peace Agreement into living reality, lies with those who signed it. I am convinced that there still exists enormous potential in the dialogue and cooperation between the Bosnian parties themselves, and my Office will spare no effort in exploiting this potential to the maximum.

6. In view of the arbitration decision to be made by 15 March 1998, my Deputy for the Office of the High Representative-North, the Brčko Supervisor, and his staff entered a critically important stage of implementation of the arbitration award. At the end of 1997, acceptable progress towards multi-ethnic governance in the areas of administration, police and the judiciary has been achieved. Efforts are proceeding to revitalize the Brčko economy to provide adequate conditions in support of the return of displaced persons and refugees to their homes of origin. In accordance with the arbitral award of 14 February 1997, the Brčko Supervisor, following local elections, issued appropriate orders to enhance multi-ethnic administration, including multi-ethnic police and judiciary. The Brčko Municipal Assembly was certified on 30 December 1997, and a multi-ethnic Executive Board was elected and is now at work. The programme to restructure the Brčko police has been successful and this new police organization has started to function. A multi-ethnic judiciary was established in Brčko on 31 December with good cooperation with the Republika Srpska authorities.

7. Regional coordination and monitoring of the situation on the ground has been a priority, and my offices in Mostar, Tuzla and Banja Luka have continued to facilitate contacts at the local level, promoting inter-entity cooperation in a variety of fields. I proceed from the assumption that the regional reach provided by these offices will continue to be of importance.

8. The capacity of my Office to conduct preventative, proactive and follow-up action could be both preserved and developed if countries that contribute personnel will maintain their current level of commitment. I hope that steady contribution in this field will be maintained.

Peace Implementation Council

9. On a monthly basis, I have convened Steering Board meetings at the level of political directors of the respective Foreign Ministries and weekly meetings at the ambassadorial level in Sarajevo, each devoted to specific issues of the peace process. At the meeting in Brussels on 1 October, I concentrated on the Bosnia and Herzegovina municipal elections, the media and deadlines relating to the Sintra Declaration, while the meeting in Sarajevo on 6 November focused on preparations for the Republika Srpska Assembly elections and economic issues. A further meeting in Paris on 2 and 3 December dealt with the preparations for the Bonn Conference.

10. The Bonn Conference noted the considerable progress made, especially in the following areas: the holding of Bosnia and Herzegovina municipal elections and elections for the Republika Srpska Assembly; arms control and confidence- and security-building measures; restructuring and reform of the police; the

beginning of minority returns in the Federation, and to lesser degree in the Republika Srpska; economic revival in the Federation; development of non-partisan professional media; and more than doubling the number of persons indicted for war crimes in the custody of the International Tribunal for the Former Yugoslavia. It stressed that much more could have been achieved had the authorities in Bosnia and Herzegovina contributed their full share to the construction of a civil and democratic society in the country. The Conference made it clear to the authorities in Bosnia and Herzegovina that assistance by the international community remains conditional upon compliance with the Peace Agreement and subsequent obligations, and reaffirmed that it will tolerate neither any tendencies to dominate the political institutions of Bosnia and Herzegovina, nor any attempts to undermine its sovereignty and territorial integrity. It outlined the objectives for the remainder of the consolidation period and established clear time-frames in this regard. The Conference welcomed my intention to use my final authority in theatre regarding interpretation of the Peace Agreement in order to facilitate the resolution of difficulties by making binding decisions on certain specific issues. I believe that the positive dynamics achieved can be maintained and further developed through the consistent implementation by all sides of the requirements defined by the Conference. The final document of the Conference is attached as an annex to the present report.*

III. COORDINATION OF CIVILIAN IMPLEMENTATION

Overall coordination

11. I have continued extensive consultations with representatives of Governments and organizations at different levels. On 11 November, I met with the Secretary-General in New York and on the same day reported to the members of the Security Council on the progress in the peace implementation. I also had several meetings with the Secretary-General of the North Atlantic Treaty Organization (NATO) and the Chairman-in-Office of the Organization for Security and Cooperation in Europe (OSCE).

12. Regular discussions have been maintained with the principals in Sarajevo in which the Special Representative of the Secretary-General, the Commissioner of the International Police Task Force (IPTF), the Special Envoy of the Office of the United Nations High Commissioner for Refugees (UNHCR), the Commander of the Stabilization Force (SFOR) and the OSCE Head of Mission participated. I shall continue these consultations.

13. The Economic Task Force, which meets under my chairmanship in Saravejo, continues to be the key instrument for coordinating economic reform policies and priorities of international reconstruction assistance. A working group of the Economic Task Force has prepared an anti-corruption strategy, which was endorsed by the Bonn Conference. The Economic Task Force is being strengthened by the

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* For the text of the final document of the Conference, see A/52/728-S/1997/979, annex.

setting up of a secretariat, which will allow improved coordination of donor activities.

14. At the end of the reporting period the Reconstruction and Return Task Force was restructured to achieve greater strategic clarity and effectiveness. In the recommendations of the Reconstruction and Return Task Force to the Bonn Conference emphasis is placed on minority returns, both from aboard and within Bosnia and Herzegovina, and on achieving the repatriation targets set by host countries for 1998. The Governments of the United States of America and Germany joined the Reconstruction and Return Task Force as full institutional members.

15. The Bonn Conference supported the establishment of a Reconstruction and Return Task Force secretariat, encouraged its members and donors to provide reserves in their 1998 programmes, and urged all concerned Governments to second appropriate staff to the regional offices of the High Representative as well as other Reconstruction and Return Task Force members, thereby reinforcing its capacity in the field. I appointed an expert with extensive experience as my Deputy for Reconstruction and Return Task Force matters.

16. The Human Rights Task Force met in December and established a concrete set of priorities and objectives for 1998 based on the recommendations of the Human Rights Coordination Centre Steering Board and the findings of the Human Rights Strategy Workshop held on 24 November 1997. The Human Rights Coordination Centre and its Steering Board continue to work to address these priorities and to provide effective coordination of human rights programmes and policies. My office is committed to the process currently under way to reform the legal framework applicable to non-governmental organizations to establish a proper legal and security environment which supports the development of civil society organizations.

17. The Freedom of Movement Task Force has continued to be a valuable forum for exploring various ways to promote freedom of movement for people, goods and services.

Common institutions of Bosnia and Herzegovina

18. The Presidency, the Council of Ministers and the Parliamentary Assembly met regularly; however, the efficiency of their work continued to be hampered by the lack of administrative structures and permanent locations.

19. The Presidency held only two working sessions, but met frequently with high-ranking international visitors and delegations during the reporting period. After having agreed on the distribution of ambassadorial posts in August, only 28 out of 33 ambassadors have been nominated and none of them have taken up their positions.

20. The Council of Ministers on several occasions referred issues to the Presidency on which it could not agree. This practice weakened the political position of the Council, which should serve as the major policy- and decision-making organ. The Council nonetheless stood out as the most active of the common institutions, meeting on average once weekly. During the period under review, the Council finalized and forwarded to the Parliament of Bosnia and

Herzegovina the draft laws on travel documents and the Council of Ministers. it failed to reach consensus on the draft law on citizenship. Because of this failure I have taken action to bring this law into force as of 1 January 1998. The priority is now on implementing these three laws. Progress on other issues has been slow.

21. My office will continue to work intensively with Council members and staff to maintain what positive momentum exists for the Council to move forward on meeting its constitutional obligations. This is particularly necessary when one notes the failure of the Council to meet important Sintra deadlines. Commitments undertaken in Bonn must be fully respected by the Council in order to avoid negative consequences for the implementation process.

22. During the reporting period, both houses of the Parliamentary Assembly showed a marked increase in activity by holding their fourth, fifth and sixth sessions. For the first time, these sessions featured political debates of a controversial, yet constructive, nature. After numerous interventions by my office, the law on the Council of Ministers and the law on travel documents were adopted on 16 December.

23. A notable achievement during the reporting period is the efficient work of the Constitutional Court. At its fifth session, in December 1997, the Court decided on a number of cases. I am, however, concerned that no resources have been put at the Court's disposal; nor does the 1997 budget of Bosnia and Herzegovina provide for the necessary amount. Consequently, the administrative structure cannot be established. The authorities in Bosnia and Herzegovina must provide full funding for the Constitutional Court.

24. There have been monthly meetings of the Standing Committee for Military Matters, with its functioning secretariat chaired, for the time being, by my Military Adviser. Decisions are now beginning to be taken, and regular reports by the Ministers of Defence and their respective Chiefs of the Armies can be considered first steps on the road to more confidence-building between the defence establishments in Bosnia and Herzegovina. At its December session, the Committee instructed the Ministries of Defence to formulate a plan for the implementation of the 1997 Ottawa Treaty. This concerns the banning of anti-personnel mines for which they are responsible. It has also debated matters such as appointment of military attachés, though a final decision still eludes the members.

Essential legislation

25. I am most concerned that the authorities of Bosnia and Herzegovina have not made better progress in implementing key aspects of the Constitution of Bosnia and Herzegovina and in passing important legislation. Since the Council of Ministers failed to submit to the Parliament the customs tariffs schedule before 24 December, I have decided to enact this schedule as annex 1 to the law on the customs policy effective on 10 January.

26. To establish new multi-ethnic parties and to strengthen the existing ones, the authorities of Bosnia and Herzegovina must rapidly adopt an election law under which the forthcoming elections will be conducted. As an integral part of

the law, a Permanent Election Commission must be established. My office, together with OSCE and the Council of Europe, is elaborating a draft of such a law.

27. Consistency and cooperation between the entities in the area of legal reform is essential. I have called for the establishment of a Commission for Inter-Entity Judicial Cooperation, to be operational no later than 31 January. There is a need to harmonize Federation and cantonal laws. I have taken steps to coordinate the various judicial and legal reform programmes within a coherent and focused programme, including the harmonization of the criminal codes and procedures of both entities with the Constitution of Bosnia and Herzegovina, and have requested the United Nations to set up a task force to focus on the assessment and monitoring of the court systems in the entities, and on the restructuring of appropriate institutions within the judicial system.

Special parallel relationships and succession issues

28. Existing agreements between the Federal Republic of Yugoslavia and the Republika Srpska and between the Republic of Croatia and the Republic of the Federation of Bosnia and Herzegovina establishing special parallel relationships between the Entities of Bosnia and Herzegovina and the neighbouring States, suffered from constitutional shortcomings.

29. Croatia and the Federation of Bosnia and Herzegovina have engaged positively in a process to align the Agreement on the Establishment of the Joint Cooperation Council with the Constitution of Bosnia and Herzegovina. However, Croatia has presented a proposal for a special parallel relationship with the Federation which is inconsistent with the Peace Agreement. The Federal Republic of Yugoslavia has not yet aligned the Agreement on Special Parallel Relationship with the Republika Srpska with the Peace Agreement.

30. The working groups composed of representatives of the interested parties and my office, which are intended to bring the texts of the agreements concerned into line with the Constitution of Bosnia and Herzegovina, need to accomplish their tasks as soon as possible.

31. A revised version of the draft Framework Memorandum on Succession Issues was prepared by the Special Negotiator on succession issues. The new text, the draft Framework Agreement on Succession Issues, was discussed with all five States of the former Yugoslavia at the meeting in Brussels from 9 to 11 December. Negotiations will continue on the basis of that revised text and in the light of the Bonn conclusions.

Joint commissions

32. Activities of the Provisional Election Commission (annex 3), chaired by OSCE, are referred to in the elections sections of the present report.

33. The Human Rights Chamber, the Ombudsperson and the Commission for Real Property Claims have not yet secured stable and adequate funding for 1998. The commitment by the Government of Bosnia and Herzegovina to contribute DM 200,000 to each institution from its 1997 budget has not been met. This failure is all

the more troubling given the need for the contribution of the Government of Bosnia and Herzegovina to increase incrementally, with a view to assuming full responsibility by the end of the five-year transition period, as underscored at the Bonn Conference.

34. Despite financial pressures, the work of all three institutions has expanded considerably. As of 30 November, the Human Rights Ombudsperson (both Sarajevo and Banja Luka offices) had opened 2,726 provisional files, registered 1,338 cases and issued 53 final reports in individual cases, as well as 11 special reports. Thirty-three cases were referred by the Ombudsperson to the Human Rights Chamber. By the end of November, the Human Rights Chamber had registered 75 cases and made 12 decisions on admissibility of applications. Seven public hearings have been held and final decisions on the merits have been rendered in five cases. During the same period, the Commission for Real Property Claims received over 50,000 claims for property. The Federation Ombudsmen have established six regional offices in addition to their Sarajevo office. They currently have more than 1,200 open cases.

35. There is still a serious lack of cooperation on the part of the authorities in ensuring that the decisions and recommendations of those institutions are effectively implemented. Mechanisms to ensure respect for the final and binding decisions of the Human Rights Chamber and the Commission for Real Property Claims, as well as implementation of recommendations by the Bosnia and Herzegovina Ombudsperson and the Federation Ombudsmen should be strengthened. My office is actively involved in monitoring the responses of authorities and coordinating intervention in cases in which the authorities have failed to meet their obligations. The drafting of implementing legislation for the institutions is also under way. Coordination among the institutions has improved and measurable progress has been made in terms of the institutions' effectiveness in specific cases.

36. At its sixth regular session, on 17 December, the Commission to Preserve National Monuments (annex 8), extended the selection of monuments and sites of cultural heritage. It also addressed the question of legislation regarding the protection of heritage, and requested the assistance of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in gathering legislation from other countries and giving technical advice on the appropriate draft law.

37. The Bonn Conference noted that, despite the efforts of the Commission on Public Corporations (annex 9), the establishment of the Transportation Corporation in Bosnia and Herzegovina had remained a dead paper. It called upon the authorities of Bosnia and Herzegovina to implement the recommendation on railway traffic by 31 March, and urged the entities to establish their joint corporations. I believe that a framework agreement on the organization of the electric sector in the railway will be reached soon. My office has substantially increased its involvement in this field and is supporting the Commission so that concrete results may finally be achieved.

Elections

38. Since my last report, the voters in the Republika Srpska cast ballots in a calm and secure environment in the extraordinary elections for the Republika Srpska National Assembly on 22 and 23 November, which were conducted in accordance with the rules and regulations of the Provisional Election Commission and with full OSCE supervision. The Provisional Election Commission certified the election results on 12 December 1997 and reported a voter turnout of 79 per cent.

39. The elections did not produce a clear majority for any party or party coalition. We interpret this as a sign of increasing political pluralism and democratization of the political landscape in the Republika Srpska and Bosnia and Herzegovina as a whole. I believe that the election results demonstrate that the people of the Republika Srpska desire change in their political leadership. The first meeting of the National Assembly took place on 27 December 1997. Although it failed to elect a speaker, consultations are ongoing. I expect the formation of a new Republika Srpska Government in January 1998.

40. I am, however, concerned with the pace of implementation of the municipal election results. By 10 October, the Permanent Election Commission had technically certified all 136 municipalities, and nearly all municipalities had held their first session. Yet by 31 December, only 10 municipalities had achieved final certification by the Permanent Election Commission. The Bonn Conference agreed that municipalities in which the requirements had not been fulfilled would be submitted to the OSCE Head of Mission and my office for final and binding arbitration before 28 February 1998.

41. The establishment of a Permanent Election Commission is a priority task for my office. The Bonn Conference endorsed my view that until a Permanent Election Commission has been established by an act of Parliament and an election law has been adopted and has entered into effect, elections should be conducted under OSCE supervision, and the authority of the Provisional Election Commission and its rules and regulations.

Federation issues

42. My office continued to focus its attention on Federation issues. Two high-level meetings, on 14 October and 2 December, on the Central Bosnia Canton and two Federation forum meetings, on 30 October and 12 November, achieved considerable results in the areas of police restructuring and refugee return. The political and security situation in the Federation continued to improve overall, despite some security incidents with possible terrorist background. The successful establishment of a joint police force and recent progress in reforming the judicial systems in the two cantons with a special regime have contributed to this improved atmosphere.

43. Upon the failure of the competent Federation authorities to find a solution to the long-standing dispute on the boundaries of the Usora municipality, my office, with the full support of the Federation leadership, submitted its final and binding arbitration on 19 December. Now that this outstanding issue has

been resolved, I anticipate that the law on split and new municipalities will be adopted by the Federation Assembly in January 1998.

44. However, it is clear that the implementation process in the Federation needs further international attention and assistance, in particular regarding reconstruction and return of refugees and displaced persons. There are still signs of old structures being kept alive despite the fact that they should have been disbanded as the structures of the Federation and the new common institutions of Bosnia and Herzegovina are established and functioning. This should not be tolerated any longer.

Republika Srpska issues

45. The political crisis in the Republika Srpska continues. The National Assembly, which was dissolved by the President of Republika Srpska in July 1997, has continued to meet and pass laws that cannot be recognized as legally valid. Furthermore, the caretaker Government continues to take decisions inconsistent with its competency. For example, on 10 November it began to implement the law on privatization, despite my insistence that any decision should wait until after the 22-23 November Assembly elections. This crisis can only be resolved by the agreement of Republika Srpska leaders to overcome their internal differences and turn their attention instead to addressing numerous problems facing the entity.

46. Owing to persistent pressure by my office, the first session of the National Assembly met on 27 December within the time-frame set out in the Constitution of the Republika Srpska. Deputies representing Federation-based parties have been installed in office with full voting rights and without taking a sectarian oath of office. At that session, the President of the Republika Srpska proposed a non-party candidate for Prime Minister, a vote on which is expected in the near future. My office handed over to the deputies a list of priority tasks for the Republika Srpska National Assembly and new Government. As noted earlier, the Serb Democratic Party (SDS) no longer holds a majority in the Assembly. However, it remains the party with the greatest number of seats, and it has entered into a coalition with the Serb Radical Party (SRS). The SDS and the SRS maintain that their party members should hold the top positions in the Assembly and that the Prime Minister should come from the SDS.

47. My office continues to provide strong support for free and pluralistic media throughout the Republika Srpska with the aim of ensuring that Serb Radio and Television (SRT) is reformed through the reunification of the network in the Republika Srpska, improved coordination between the Pale and Banja Luka studios and a monitoring mechanism that meets internationally recognized standards of journalism.

48. The process of restructuring the Republika Srpska police has moved forward, in particular in Banja Luka and Brčko, where IPTF has begun certification of prospective police officers. However, the overall security environment in Republika Srpska remains tense at times. On 13 November, a terrorist attack took place against the Serb National Union regional office in Bijeljina.

49. Arrest warrants by the International Tribunal for the Former Yugoslavia for persons under Republika Srpska jurisdiction have not been complied with. Until these persons are brought to The Hague, the prerequisites for reconciliation and the rule of law in the Republika Srpska remain seriously impaired. In this regard, the continuing influence of Radovan Karadzic on the political life of Republika Srpska is unacceptable. My office remains committed to applying economic leverage and other measures to ensure full cooperation of the Republika Srpska authorities with the Tribunal.

50. The economic situation in the Republika Srpska remains grim, with high levels of unemployment and low wages and pensions. There was no sizable foreign investment in the Republika Srpska in 1997. International aid is limited and linked to cooperation with the peace process. On 18 November, the Banja Luka airport was reopened for commercial flights.

Media

51. During the reporting period, the media situation in Bosnia and Herzegovina continued to be a high priority for my office.

52. My office has now nominated an international supervisor of SRT who will oversee the restructuring of the SRT network in line with international principles. Accepting the restructuring of SRT in principle, the Pale leadership has to date failed to ensure the return of the Veliki Zep transmitter equipment or adopt restructuring requirements. Failure to address these issues positively will prohibit the return of Pale studio programming to the SRT network.

53. My office has developed a strategy to deal with the monolithic control of the media throughout Bosnia and Herzegovina and to create the necessary conditions for the electorate to make informed judgements free from political bias before the elections in September. This plan was presented to the Bonn Conference, which reiterated its firm commitment to establish free and pluralistic media throughout the country and supported our media strategy.

54. The strategy of the Office of the High Representative envisages three main pillars of approach. The first is editorial intervention, media restructuring and regulation. This we have already embarked upon with SRT, with the aim of restructuring the whole media landscape in Bosnia and Herzegovina in accordance with internationally recognized democratic standards. We intend to establish an intermediate media standards licensing commission, which will regulate the media in the interim period before the enactment of the laws on the media and telecommunications. The second foresees the encouragement of independent media and the provision of alternative sources of information. The Open Broadcast Network (OBN) still remains the main project in this arena, and our commitment to the process is now beginning to bear fruit; OBN has now firmly established itself as a serious contender in the Bosnian media scene. Another key issue is in encouraging the expansion of independent print, in particular, the distribution of independent newspapers to those areas of the country that they do not currently reach. The third pillar of the strategy provides for an internationally sponsored public information campaign, which is scheduled to

last six months and will combine targeted short (30-60 second) commercial public information slots together with four 10-15 minute programming slots per week.

Return of refugees and displaced persons

55. My office has continued its interventions in support of return to the Central Bosnian Canton. The third and fourth Federation meetings, on 16 October and 2 December, attended by the highest officials from the Federation and the Canton Government, have advanced the establishment of the joint police in the Canton, as well as the identification of priority return villages. The Central Bosnia Return Programme was presented by the Canton to the Governments and donor organizations on 5 December at a meeting chaired by the Office of the High Representative. My staff has worked with UNHCR as well to extend the Central Bosnia return initiative to the Neretva-Herzegovina Canton.

56. Under the auspices of my Deputy, the Brčko Supervisor, returns of original inhabitants to Brčko continued throughout the period under review. The establishment of a multi-ethnic administration, police and judiciary at the end of the year would facilitate further returns.

57. In the north-western region of Bosnia and Herzegovina, my Deputy was intensely engaged in spearheading minority returns and cross-inter-entity boundary line contacts between displaced persons and their home communities. A concerted effort by key members of the Reconstruction and Return Task Force resulted in the successful return of several hundred Serb displaced persons to Drvar. My office also helped to arrange the first official visits of Serb refugees in Bosnia and Herzegovina to their homes in the Pakrac area in Croatia.

Freedom of movement

58. Numerous visits across the IEBL, both organized and spontaneous, are ample evidence of increased freedom of movement. At a trade fair in Banja Luka in November, approximately 60 Federation companies participated and more than 100 vehicles with Sarajevo licence plates moved freely through the city. My office, in cooperation with other agencies, developed a plan for a uniform licence plate system in Bosnia and Herzegovina, to be implemented after 31 January.

59. On 2 December, the first commercial bus line started to run between Sarajevo and Banja Luka through cooperation between one Federation- and one Republika Srpska-based bus company. On 17 December, the Republika Srpska Minister of Traffic and Communication decided to stop the line and had one bus confiscated. I am following this matter closely and have decided to take action in order to ensure the unhindered running of buses.

60. On 16 October, the Joint Border Commission established between Bosnia and Herzegovina and Croatia met for the first time in Sarajevo under the chairmanship of my office, followed by a meeting in Zagreb on 17 December. Considerable progress has been achieved at those meetings to allow the free movement of people and goods across the northern border between Croatia and the Republika Srpska territory of Bosnia and Herzegovina.

61. Regarding police, additional Federation cantons have finished their restructuring programmes, in particular the Herzegovina Neretva and the Central Bosnia cantons. After long negotiations and planning, the Federal Police Academy started to function on 15 December. Police restructuring in the Republika Srpska started in Banja Luka, followed at the end of the year by Brčko.

Missing persons, mass graves

62. The international community has continued to work with the authorities of Bosnia and Herzegovina to determine the fate of the missing. The total number is still uncertain but the International Committee of the Red Cross (ICRC) has received tracing requests for more than 19,500 persons. The Working Group on Missing Persons, chaired by ICRC, has made it possible for representatives of family associations to have direct contact with the responsible authorities and relevant members of the international community.

63. Cross-IEBL exhumations were blocked during most of 1997 owing to disagreement between the parties and the political situation in the Republika Srpska. In October, my office introduced a new strategy asking the parties to name one site each that they wanted to exhume without opening up negotiations regarding number of bodies, number of working days or size of the sites. This resulted in three weeks of exhumations in two locations. The Bosniak team collected surface remains in the Kravice area in the Republika Srpska, and the Republika Srpska team exhumed two graves and collected surface remains in Ozren in the Federation. The total number of collected bodies during the reporting period is 97. The Croat side did not participate.

64. I consider that unresolved issues relating to the missing are a serious impediment to reconciliation. Therefore, my office has already started the planning for 1998, together with the parties, in order to speed up the process.

Human rights

65. Despite gradual improvement in freedom of movement, fewer arbitrary arrests and a more responsible attitude on the part of authorities, systemic human rights violations continue to occur in both entities. Few steps have been taken by Federation or Republika Srpska authorities to ensure that the rights and freedoms set forth in the European Convention on Human Rights are effectively protected. Harassment, violence and destruction of property on the basis of ethnicity remain substantial problems, and discrimination on ethnic or political grounds is endemic, particularly in the Republika Srpska areas. The role of police in addressing these violations itself continues to present significant concerns, particularly as police response is influenced by political and ethnic criteria, and reports of abuse in police custody remain frequent. In these respects, the situation during the reporting period remained fundamentally unchanged.

66. Property and housing laws which block the return of hundreds of thousands are still in force, making full implementation of annex 7 of the Peace Agreement impossible. Both entities must take urgent steps to amend these laws. As reiterated at the Bonn Conference, the Federation will be held to its

commitment, made at the Federation Forum on 12 November 1997, to adopt the three draft laws submitted by my office. The Republika Srpska has been urgently asked to amend its property and housing legislation within 60 days of the new Government taking office. Should they fail to do so, I will recommend additional measures as sanctions. Establishing the conditions for safe return, including functioning human rights protection mechanisms, is also an essential component of the implementation of annex 7, as are efforts to address current discrimination and difficulties associated with both civil registration and acquiring access to personal documents throughout Bosnia and Herzegovina.

67. At the same time, the process of rebuilding a multi-ethnic Bosnia and Herzegovina is encumbered by several basic problems. The Constitutions of the entities themselves embody insupportable distinctions between ethnic groups in their designation of "constituent peoples". These provisions should be amended to accord equal status to Bosniaks, Croats and Serbs, along with members of other groups, in order to foster multi-ethnicity and ensure that the fundamental principle of equal rights for all people is fully respected. In addition, the current education policy and programmes of both entities do not promote understanding and reconciliation. It is essential that the responsible authorities move expeditiously to develop an education programme consistent with those principles and with the right of parents to choose the nature of the education their children receive.

Cooperation with the ICTY and strengthening of the rule of law

68. The Human Rights Task Force has emphasized the urgent need for criminal justice reform in both entities. In particular, criminal law and procedure codes must be harmonized with the European Convention on Human Rights. As noted in Bonn, the Federation should implement the recommendations of the expert team regarding the criminal procedure code by 31 January. While the Republika Srpska has requested that the Council of Europe assist in the harmonization of its criminal code and criminal procedure code with European standards, the expert team set up in the Republika Srpska should also include representatives of my office, the United Nations Mission in Bosnia and Herzegovina (UNMIBH) and other relevant institutions. These steps are essential to address ongoing human rights abuses, including violations of fair trial standards in such highly publicized cases as the prosecution of I. Djedovic in Sarajevo and the conviction of three Bosniak men in Zvornik on murder charges.

69. The independence and effectiveness of the judiciary remains compromised by flaws in the judicial appointment process and the absence of a mechanism for inter-entity cooperation in this field. The appointment process must be reformed so that selection is based on merit rather than political or ethnic criteria, and training programmes for legal professionals, including the initiative to establish a judicial training institute for Bosnia and Herzegovina, should be supported.

70. Rule of law and reconciliation in Bosnia and Herzegovina will remain seriously impaired until competent authorities fulfil their legal obligation to hand over indicted war criminals to the ICTY. Two additional arrests of persons indicted for war crimes occurred in December. Following those arrests, two persons subject to publicly disclosed indictments (both Croats) remain at large

in the Federation, while only three of 54 Serbs publicly indicted by the Tribunal are in custody.

71. No arrests in violation of the Rome Agreement (rules of the road) occurred during the past three months, but activities which are incompatible with the rules continue. In both entities, reliance by authorities on local "war crimes lists", including publication and broadcasting of these lists, poses serious obstacles to the return of refugees and displaced persons, the ability of elected councillors to assume office and freedom of movement.

Economic reform and reconstruction

72. Despite the shortcomings of the authorities of Bosnia and Herzegovina in addressing economic management, the international reconstruction aid has continued to fuel economy recovery. An estimated total of US$ 1.5 billion has been implemented so far in the country, approximately 95 per cent being in the Federation, including Sarajevo. The proportion of financial help for the Republika Srpska is now increasing. In the fourth quarter of 1997, eight grant agreements were signed with the authorities in Bosnia and Herzegovina. The World Bank approved credits in the total amount of $27 million for the financing of two projects with a total cost of $123 million. This includes the reconstruction assistance project ($82 million), which is dedicated to the Republika Srpska. During the reporting period, some 150 new contracts were signed. In the same period, the European Commission has contracted grants for a total amount of $125 million.

73. The Bonn Conference confirmed my priorities regarding economic management and transition. To speed up the process, the Conference issued a schedule for key steps regarding the common currency, the State budget and its financing from the entity budgets, and entity-level legislation on pension reform and basic commercial legislation. I am confident that the various deadlines in the first quarter of 1998 will be met. The crucial economic policy framework for a growing and unified economy will then be in place. Under such conditions, the much-needed support through an International Monetary Fund (IMF) standby agreement and two proposed World Bank adjustment credits can go ahead. In addition, the Paris Club debt resolution can follow the successful London Club debt agreement, which was consummated in December.

74. The Bonn Conference expressed deep concern about corruption and diversion of funds and endorsed my anti-fraud strategy based on the following elements: (a) improvement of prosecution capacities by creating an anti-fraud unit to assist the authorities in Bosnia and Herzegovina to identify illegal activities, (b) better control of international assistance, (c) increased transparency in public finance through an extended mandate of the European Commission Customs and Fiscal Assistance Office and establishment of external auditing institutions and (d) dissolution on non-constitutional bodies.

75. Together with the Commission on Public Corporations, my office has held negotiations to establish a Railway Corporation in Bosnia and Herzegovina. A framework agreement is to be signed in January by which the parties would resume traffic immediately, and final negotiations on the organization of the sector is

to be completed by March. Preliminary discussions have also started on postal services.

76. Over 600 households have returned in the Brčko area. Return applications of an additional 2,270 households (representing more than 9,000 persons) have been approved. Though the arbitral award stated the significance of economic revitalization of the Brčko area, only slow progress has been made by international donors and development agencies in this regard. Following a donors' conference held in Brčko on 4 and 5 November, several donors demonstrated interest in funding specific projects.

Civil aviation

77. A lack of response from the international community in funding of the Department of Civil Aviation as a joint institution has slowed further progress. This will hinder economic recovery in the aviation sector. International efforts centred on the physical development of Sarajevo airfield, minor passenger terminal improvements in Mostar and limited Sarajevo terminal air traffic systems, but have largely ignored safety and support activities that are central to operating the aviation system to International Civil Aviation Organization (ICAO) standards. In addition, the Department's field staff requirement of approximately 160 persons has yet to be implemented.

78. Significant inroads have been made in airfield planning, and in securing a bilateral charging agreement for overflight fees throughout Eurocontrol. The organizational framework for the Department of Civil Aviation has been developed, and nominations from the three parties to the integrated staff have started work on air procedures, air navigation, infrastructure and policy development. An international secretariat of the Department has been established and funded to give the technical expertise to continue system development and provide mediation.

Mine clearance

79. The Bonn Conference expected the new civilian demining structure to be established by 1 January 1998 at the Bosnia and Herzegovina level and by 31 March 1998 at the entity level. The first deadline has been met owing to the efforts of the Board of Donors, co-chaired by the United Nations/Office of the High Representative working in consultation with the Bosnia and Herzegovina Commission for Demining.

80. A memorandum of understanding and agreed principles on the new structure were signed by the Council of Minsters of Bosnia and Herzegovina on 20 October. This structure aims to ensure efficiency and transparency so that the donor confidence is maintained. It is also designed to welcome donors who wish to follow their own projects outside of the structure, while leaving them with the option to join at a later date. The Board of Donors will remain an advisory body to the Bosnia and Herzegovina Demining Commission, which oversees the whole structure on behalf of the Council of Ministers.

81. The agreed principles have been applied to various decisions, agreements and decrees which formally establish the organizations within the new structure.

A consensus on several important documents was reached in December, and the United Nations, the Office of the High Representative and the Bosnia and Herzegovina Commission for Demining were able to co-present them to the Council of Ministers and respective Governments. The documents are as follows: (a) a decision on the establishment of the Bosnia and Herzegovina Commission for Demining, (b) a decision on the establishment of the Bosnia and Herzegovina Mine Action Centre, (c) an agreement between the Federation of Bosnia and Herzegovina and the Republika Srpska on cooperation in the field of mine action.

82. The next agreements to be finalized are those establishing the entity mine action centres. These are the decree on the establishment of the Republika Srpska mine action centre and the decree on the establishment of the Federation of Bosnia and Herzegovina mine action centre. I am reasonably confident that the Bonn deadline of 31 March for these bodies to be established can be met.

IV. COOPERATION WITH THE STABILIZATION FORCE

83. Cooperation with SFOR remains excellent, and is the most important factor for the implementation of the Peace Agreement. It is my firm belief that for the time being there could be no civil implementation without the strong international military force available immediately to ensure the secure environment, which is also mandatory for the work of the civilian organizations. But beyond the mere presence and deterrent effect of SFOR, its direct and day-to-day support is essential for maintaining peace and stability in Bosnia and Herzegovina. The Bonn Conference supported the emerging consensus on the need for a military presence to continue beyond June, and I proceed from the assumption that the international force will stay in Bosnia and Herzegovina as long as necessary.